DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY Lynn Kelley DATE 1/24/83
RDS☐or XD☐☐X1. DATE
TS AUTH. EXEMPTION(S)
ENDORSE EXEMPTIONS WARNINGS ☐
DECLASSIFIED☐ RELEASABLE☑
RELEASE DENIED☐
PA or FOI EXEMPTIONS

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Liberty (56)

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CONFIDENTIAL

J. Owen Zurhellen, Jr., Esquire
Charge d'Affaires
Tel Aviv

Dear Owen:

This is in response to the Ambassador's letter to Roy of August 6 regarding the Liberty claim.

We are naturally encouraged by the apparent Israeli decision to try to move toward a settlement of the U.S.S. Liberty claim. However, the amount offered in settlement is a token rather than a substantial payment, bearing no relationship to the amount of damage actually sustained by the U.S. Government in the attack on the ship. Considerations of precedent and principle preclude our accepting it.

We recognize the danger, to which the Ambassador's letter refers, that our unequivocal rejection of this token settlement offer could drag the matter out. Our note of July 1, 1968 presenting the ship claim has already gone unanswered for a longer period than seems appropriate in the relations between two friendly countries. The most promising means of avoiding substantial further delay, in our view, would be to initiate the discussion of the claim on the technical level, as we proposed in the note. In such discussions the documentation of the claim could be reviewed and the extent of the U.S. Government's loss could be demonstrated. The Israeli experts would be fully entitled, of course, both to test the U.S. position and to put forward reasons why a lesser amount is appropriate. By demonstrating our commitment to pursue the claim and engaging their attention on it in a less pressing atmosphere we would be following an avenue most likely to lead to settlement.

Consideration of legal precedent and principle aside, it is pertinent to note, as well, that our agreement

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to the Israeli suggestion would run the risk of rekindling U.S. public interest in a touchy issue in a sense adverse to both the State Department and Israel. Although the matter has been quiet for some time, a body of public sentiment exists which could be expected to protest what might be interpreted as our abandonment of a position whose merit the GOI itself originally quickly recognized. Besides exposing the Department to criticism, we believe the adverse public reaction could also redound against Israel itself. In this regard, the average American taxpayer would likely find it hard to reconcile a settlement of less than two cents on the dollar in the case of the Liberty with our recent large-scale support for Israel.

Sincerely,

H. H. Stackhouse
Country Director
Israel and Arab-Israel Affairs

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